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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/583,222	03/19/2007	Leslie L. Jacobs JR.	1061-013	8239
7590 Michael N Haynes 1341 Huntersfield Close Keswick, VA 22947				
EXAMINER				
GREGG, MARY M				
ART UNIT		PAPER NUMBER		
3694				
MAIL DATE		DELIVERY MODE		
02/14/2011		PAPER		

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**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Application Number: 10/583,222  
Filing Date: March 19, 2007  
Appellant(s): JACOBS, LESLIE L.

\_\_\_\_\_  
Michael N. Haynes PLC; Reg No. 40,014  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed November 15, 2010 appealing from the Office action mailed 10/14/2009.

**(1) *Real Party in Interest.***

The real party in interest in this appeal is Leslie L. Jacobs. Jr.; a person have an address at 4605 Glen Brook Parkway, Bethesda, MD 20814

**(2) *Related Appeals and Interferences.***

The examiner is not aware of any related appeals, interferences or judicial proceedings that with directly affect or be directly affected by or have a bearing on the Board's decision in the pending application.

**(3) Status of Claims**

The statement of the status of claims contained in the brief is correct.

**(4) Status of Amendments**

The applicant's statement of the status of amendments after final rejection contained in the brief is correct.

**(5) Summary of Claimed Subject Matter**

The summary of claimed subject matter contained in the brief is correct.

**(6) Grounds of Rejection to be Reviewed on Appeal**

The applicant's statement of the grounds of rejection is correct.

**(7) Claims Appendix**

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(8) Evidence Relied Upon**

Philip et al, US Patent No. 7,181,422 B1

Wilkinson et al., US Pub No. 2002.0099637 A1

Nations et al., US Pub No. 2992.9137299 A1

Silman; US Pub No. 2005/0097022 A1

International Dictionary of Finance by Graham Bannock et al.

Roget's International Thesaurus; Fifth Ed. by Robert L. Chapman

Applicant's admitted prior art

**(9) Grounds of Rejection**

The following ground(s) of rejection are applicable to the appealed claims. This is a verbatim copy of the final rejection mailed on 10/14/2009.

***Official Notice***

6. Applicant(s) attempt at traversing the Official Notice findings as stated in the previous Office Action (Paragraph No. 11) is inadequate. Adequate traversal is a two step process. First, Applicant(s) must state their traversal on the record. Second and in accordance with 37 C.F.R. §1.111 (b) which requires Applicant(s) to specifically point out the supposed errors in the Office Action, Applicant(s) must state why the Official Notice statement(s) are not to be considered common knowledge or well known in the art. In this application, while Applicant(s) have clearly met step (1), Applicant(s) have failed step (2) since they have failed to argue why the Official Notice statement(s) are not to be considered common knowledge or well known in the art. Because Applicant(s)' traversal is inadequate, the Official Notice statement(s) are taken to be that with respect to securities that generate income that it is old and well known to monitor and benchmark earnings over time periods in order to make decisions on investment management (buy, hold and sell) are taken to be admitted prior art. See MPEP §2144.03.

***Claim Rejections - 35 USC § 103***

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

**8. Claims 1, 6-11, 16-18, 23-24 and 27-30 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk)**

In reference to Claim 1:

(Currently Amended) A method, comprising: electronically selecting on one or more processors one or more segments of each of a plurality of streams of expected payments that are to satisfy a plurality of obligations ((Phil) FIG. 6; para Col 1 lines 6-9, 32-40, 44-46, 60-62, Col 4 lines 4-8, 11-16, 20-24, Col 5 lines 35- 41 ) to provide payments to a holder of one or more rights to receive such payments in exchange for transfers of interests in ...property assets, said segments corresponding to a first time period having a first duration that is less than a second duration of a second time period over which at least one of the streams of expected payments is expected to extend, wherein said one or more segments are selected such that a first total amount of expected payments associated with said one or more segments satisfies one or more criteria; and electronically identifying on one or more processors one or more portions of said one or more rights for transfer to an entity, said one or more portions corresponding to the one or more segments that correspond to the first time period, ((Phil) Col 1 lines 33-37; wherein interest are defined, Col 3 lines 37-40, Col 4 lines 4-8,

11-16) said one or more portions that are identified being transferred apart from at least one remaining portion of at least one of said one or more rights ((Phil) Col 1 lines 32-37, Col 6 lines 47-54)

Phil does not explicitly teach:

...one or more intellectual property assets .....

Wilk teaches:

...one or more intellectual property assets...((Wilk) FIG. 1; para 0004; wherein the prior art teaches securitization of IP assets.

Phil teaches explicitly of creating tranches from an underlying asset. Tranches are multi-class securities where an asset is broken into multiples segments (tranches). They represent the underlying asset by separate certificates. Tranches are formed when an asset becomes a pool of interest to be sold (i.e. securitization of an asset) rather than selling the underlying asset. Although IP assets are not taught explicitly by Phil, the prior art teaches a "financial asset can be any promise of future flow of money" ((Phil) Col 1 lines 7-9) instead of selling an underlying assets. Wilk teaches securitizing IP and creating financial instruments from IP assets ((Wilk) para 0006, 0007). Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to simply substitute one known element for another to obtain predictable results

In reference to Claim 6:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim above), further comprising the act of transferring said one or more portions of one or more of said rights to an entity (fund) ((Phil) Col 5 lines 35-42, Col 4 lines 49-55, Col 7 lines 35-41) Rights (right to sell, right to vote, right to receive payment, etc) with respect to derivatives or tranches are old and well known. Although not explicit with respect to rights the prior art teaches the investor receiving payment on the tranche or derivative which inherently is a right.

In reference to Claim 7:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein said entity is a special purpose vehicle ((Phil) Col 4 lines 49-55)

In reference to Claim 8:

The combination teaches:

(Original) The method defined in claim 7 (see rejection of claim 7 above), wherein said special purpose vehicle is one that facilitates an issuance of securities backed by said one or more portions of one or more of said plurality of rights ((Phil) Col 4 lines 10-15, 44-47, 59-65, Col 7 lines 35-41 ).

In reference to Claim 9:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein said payments are royalty payments ((Wil) para 0078)  
(see rationale supporting obviousness and motivation to combine of claim 1 above)

In reference to Claim 10:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein said rights are contractual rights ((Phil) Col 7 lines 35-41)

With respect to the said rights being contractual rights, the payment rights of claim 1 with respect to tranches inherently are contractual rights.

In reference to Claim 11:

(Original) The machine of Claim 11 corresponds to the method of Claim 1, therefore, machine of Claim 11 has been analyzed and rejected as per previously discussed with respect to Claim 1. The feature in claim 11 that is separate from claim 1 is the computer readable medium carrying instructions ((Phil) Claim 17).

In reference to Claims 16 and 17:

The machine of Claims 16 and 17 corresponds to the method of Claims 9 and 10 respectively, therefore, the machine of Claims 16 and 17 have been analyzed and rejected as per previously discussed with respect to Claims 9 and 10. The feature in claims 16 and 17 that is separate from claims 9 and 10 is the computer readable medium carrying instructions ((Phil) Claim 17).

In reference to Claim 18:

The system of Claim 18 corresponds to the method of Claim 1, therefore, system of Claim 18 has been analyzed and rejected as per previously discussed with respect to claim 1. The feature in claim 18 that is separate from claim 1 is processors coupled to a memory ((Phil) FIG. 2)

In reference to Claims 23 and 24:



The system of Claims 23 and 24 corresponds to the method of Claim 9 and 10 respectively, therefore, system of Claim 23 and 24 has been analyzed and rejected as per previously discussed with respect to claims 9 and 10. The feature in claim 23 and 24 that is separate from claim 1 is processors coupled to a memory ((Phil) FIG. 2)

In reference to Claim 27:

(Original) The method of claim 1 (see rejection of claim 1 above), further comprising: determining the one or more criteria ((Phil) Col 3 lines 48-60, Col 4 lines 10-15)

In reference to Claim 28:

(Original) The method of Claim 28 corresponds to the method of Claim 6, therefore, system of Claim 28 has been analyzed and rejected as per previously discussed with respect to claim 6.

In reference to Claim 29:

The combination teaches:

(Original) The method of claim 1 (see rejection of claim 1 above), further comprising entering an agreement to transfer the identified portion of said at least one right ((Phil) Fig. 3, FIG. 5, Fig. 6; Col 4 lines 44-48, Col 5 lines 35-42, Col 6 lines 46-55, Col 7 lines 35-40, Col 7 lines 35-41).

In reference to Claim 30:

The combination teaches:

(Original) The method of claim 1 (see rejection of claim above), further comprising: transferring the identified portion of said at least one right ((Phil). Fig. 3, FIG. 5, Fig. 6; Col 4 lines 44-48, Col 5 lines 35-42, Col 7 lines 35-40).

9. **Claims 2, 12, 19 and 25-26 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phili); in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk); as applied to claim 1 above with respect to claims 2 and 26, as applied to claim 11 above with respect to claim 12, as applied to claim 18 above with respect to claim 19, and in view of US Pub No. 2002/0138299 A1 by Nations (Nat)**

In reference to Claim 2:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein a plurality of segments of the plurality of streams of expected payments ... said plurality of portions corresponding to the plurality of segments, said plurality of portions being identified for transfer apart from at least one remaining portion of at least one of said one or more rights ((Phil) Col 1 lines 32-37, Col 6 lines 47-54)

The combination does not explicitly teach:

...are selected from a plurality of time periods including said first time period, wherein each of said plurality of time periods corresponds to at least one of said plurality of segments, and wherein a plurality of portions of said one or more rights are identified for transfer to an entity...

Nat teaches:

...are selected from a plurality of time periods including said first time period, wherein each of said plurality of time periods corresponds to at least one of said plurality of segments, and wherein a plurality of portions of said one or more rights are identified for transfer to an entity...((Nat)FIG. 1, FIG. 2; para 0045, para 0047, para 0051, para 0054, para 0060, para 0069, para 0079, para 0083; wherein buy and sell strategies are determines per time period on different tranche segments (current and preceding tranches); (Wilk) para 0055).

Both the combination and Nat are directed toward creating tranches with respect to underlying assets. Nat teaches the feature of tranches segregated into periodic tranches that have separate features from a tranche created or maturing in a different time period. Nat teaches the motivation of creating periodic tranches in order to reduce risk and optimize returns in buying/selling. The combination teaches periodic payment streams wherein the payment streams have waterfall payments (surplus and deficit) where the senior tranches are paid first on the surplus and the losses are applied in reverse order. Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teaching of Nat for protective strategies to reduce risk and optimize returns with the waterfall teachings of the combination with respect to tranches

In reference to Claim 12:

The combination teaches:

The machine of Claim 12 corresponds to the method of Claim 2, therefore, machine of Claim 12 has been analyzed and rejected as per previously discussed with respect to Claim 2.

In reference to Claim 19:

The system of Claim 19 corresponds to the method of Claim 2, therefore, system of Claim 19 has been analyzed and rejected as per previously discussed with respect to claim 2.

In reference to Claim 25:

Phil teaches:

(Currently Amended) A method, comprising:..., electronically selecting one or more processors a segment from each of a plurality of expected streams of payments, said segment being of a duration that is shorter than that of at least one of the plurality of expected streams of payments, each of the expected stream of payments to satisfy at least one obligation to provide payments to a holder of at least one right to receive such payments in exchange for a transfer of at least one interest in at least one an... asset, each segment corresponding to the selected time period, and being selected such that a total amount of payments associated with each said segment satisfies one or more predetermined criteria ((Phil) FIG. 6; para Col 1 lines 6-9, 32-40, 44-46, 60-62, Col 4 lines 4-8, 11-16, 20-24, Col 5 lines 35-41 ); and offering to transfer to an entity, an identified portion of said at least one right, said identified portion corresponding to the..., said identified portion being distinct from a remaining portion of said at least one obligation((Phil) Col 1 lines 32-37, Col 6 lines 47-54)

Phil suggest but does not teach explicitly:

... for an identified time period..., intellectual property..., identified time period... see in at least Col 4 lines 4-15, wherein the tranche (segment) based upon 6 month history, 80% paid under 40 days, (see table Col 9 wherein the prior art teaches security type, maturity date), Col 4 lines 20-55 wherein the prior art teaches senior and multiple tranches which implies different purchase and maturity dates).

Nat teaches:

... for an identified time period..., identified time period ((Nat) para 0014, para 0015)

Wilk teaches:

...intellectual property...

With respect to the type of pooled asset, Intellectual property, Phil teaches explicitly of creating tranches from an underlying asset. Tranches are multi-class securities where an asset is broken into multiples segments (tranches). They represent the underlying asset by separate certificates. Tranches are formed when an asset becomes a pool of interest to be sold (i.e. securitization of an asset) rather than selling the underlying asset. Although IP assets are not taught explicitly by Phil, the prior art teaches a "financial asset can be any promise of future flow of money" ((Phil) Col 1 lines 7-9) instead of selling an underlying assets. Wilk teaches securitizing IP and creating financial instruments from IP assets ((Wil) para 0006, 0007). Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to simply substitute one known element for another to obtain predictable results.

Both the combination and Nat are directed toward creating tranches with respect to underlying assets. Nat teaches the feature of tranches segregated into periodic tranches that have separate features from a tranche created or maturing in a different time period. Nat teaches the motivation of creating periodic tranches in order to reduce risk and optimize returns in buying/selling. The combination teaches periodic payment streams wherein the payment streams have waterfall payments (surplus and deficit) where the senior tranches are paid first on the surplus and the losses are applied in reverse order. Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teaching of Nat for protective strategies to reduce risk and optimize returns with the waterfall teachings of the combination with respect to tranches.

In reference to Claim 26:

The combination, Phil and Nat, teaches:

(Original) The method of claim 1 (see rejection of claim 1 above), further comprising: ...

The combination does not explicitly teach:

...determining the time period

Nat teaches:

...determining the time period...((Nat)FIG. 1, FIG. 2; para 0045, para 0047, para 0051, para 0054, para 0060, para 0069, para 0079, para 0083; wherein buy and sell strategies are determines per time period on different tranche segments (current and preceding tranches); (Wilk) para 0055).

Both the combination and Nat are directed toward creating tranches with respect to underlying assets. Nat teaches the feature of tranches segregated into periodic tranches that have separate features from a tranche created or maturing in a different time period. Nat teaches the motivation of creating periodic tranches and targeting time periods in order to reduce risk and optimize returns in buying/selling. The combination teaches periodic payment streams wherein the payment streams have waterfall payments (surplus and deficit) where the senior tranches are paid first on the surplus and the losses are applied in reverse order. Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teaching of Nat for protective strategies to reduce risk and optimize returns with the waterfall teachings of the combination with respect to tranches.

10. **Claim 3, 5, 13, 15, 20 and 22 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), as applied to claim 1 above with respect to claims 3 and 5, as applied to claim 11 above with respect to claims 13 and 15, as applied to claim 18 above with respect to claims 20 and 22, and further in view of Appellant's admitted prior art herein referred to as APA**  
In reference to Claim 3:

The combination, Phil and Wilk, teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), ...

The combination does not explicitly teach:

...wherein satisfaction of said one or more criteria requires that the first total amount of expected payments exceed a predetermined amount in said first time  
Wilk teaches:

...wherein satisfaction of said one or more criteria requires that the first total amount of expected payments (earnings per share and investment objectives/strategy) exceed a predetermined amount in said first time ((Wilk) FIG. 2; para 0012, para 0055, para 0108, para 0114 lines 13-16, para 0129, para 0130, para 0147 lines 5-10)

The combination teaches asset rating with respect to cash flow waterfall and historical asset performance. Whereas Wilk teaches explicitly of periodic evaluation. Wilk teaches of determining investment objectives ((Wilk) para 0147) and utilizing any tools and techniques to evaluate the investment. APA teaches that with respect to securities that generate income it is old and well known to monitor and benchmark earnings over time periods in order to make decisions on investment management (buy, sell or hold). Therefore, as the combination teaches rating payment flows and historical data it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teachings of the combination with APA in order to implement the old and well known practice of monitoring revenues generated with respect to a benchmark or market comparison over specific time periods to make decision on investment management.

In reference to Claim 5:

The combination Phil and Wilk teach:



(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein satisfaction of said one or more criteria ...

The combination suggest but does not explicitly teach:

...requires that the first total amount of expected payments fall within a predetermined range of expected payments to be received in said first time period ...requires that the first total amount of expected payments fall within a predetermined range of expected payments (earnings per share and investment objectives/strategy) to be received in said first time period ((Wilk) FIG. 2; para 0012, para 0055, para 0108, para 0114 lines 13-16, para 0129, para 0130, para 0147 lines 5- 10)

Although the combination is not explicit with respect to criteria requires total amount of payments fall in a predetermined range in a first time period. Wilk teaches of determining investment objectives and tracking performance of the investment vehicle ((Wilk) para 0147) and utilizing any tools and techniques to evaluate the investment. APA teaches that with respect to securities that generate income it is old and well known to monitor and benchmark earnings over time periods in order to make decisions on investment management (buy, sell or hold). Therefore as the prior art teaches rating payment flows and investment management which suggest recommendation for action with respect to the asset it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teachings of the combination with APA in order to implement the old and well known practice of monitoring revenues generated with respect to a benchmark or market comparison over specific time periods to make decision on investment management.

In reference to Claim 13:

The combination teaches:

The machine of Claim 13 corresponds to the method of Claim 3, therefore, machine of Claim 13 has been analyzed and rejected as per previously discussed with respect to Claim 3.

In reference to Claim 15:

The machine of Claim 15 corresponds to the method of Claim 5, therefore, machine of Claim 15 has been analyzed and rejected as per previously discussed with respect to Claim 5.

In reference to Claim 20:

The system of Claim 20 corresponds to the method of Claim 3, therefore, system of Claim 20 has been analyzed and rejected as per previously discussed with respect to claim 3.

In reference to Claim 22:

The system of Claim 22 corresponds to the method of Claim 5, therefore, system of Claim 22 has been analyzed and rejected as per previously discussed with respect to claim 5.

**11. Claims 4, 14 and 21 are rejected under 35 U.S.C. 103(a) as being unpatentable over US No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), and applicant's admitted prior art herein referred to as APA as applied to claims 1 and 3 above with respect to claim 4, as applied to claims 11 and 13 above with respect to claim**

**14, as applied to claims 18 and 20 with respect to claim 21, and further in view of  
US Pub No. 2005/0097022 A1 by Silman (Sil).**

In reference to Claim 4:

The combination teaches:

(Original) The method defined in claim 3 (see rejection of claim 3 above),  
wherein satisfaction of said one or more criteria...

The combination does not explicitly teach:

... requires that the first total amount of expected payments be closest to said  
predetermined amount relative to a second total amount of expected payments.

Sil teaches:

... requires that the first total amount of expected payments be closest to said  
predetermined amount relative to a second total amount of expected payments ((Sil)  
FIG. 1A-1C; para 0031 lines 5-10, para 0058, para 0061, para 0064).

Both the combination and Sil are directed toward raising capital for new  
investment products and setting evaluating the investments over specific periods.  
Although Sil teaches a preferred embodiment with respect to startup entertainment  
investments, Sil does not limited the invention from teach typical startup enterprises  
((Sil) para 0012, para 0053) and teaches issuing stock and setting up purchase  
derivative options where the investors have segmented rights ((Sil) para 0020, para  
0022). Sil teaches the motivation of setting up milestones criteria with respect to start up  
enterprises before allocating additional funds in order to protect the investor from  
investment risk. The combination is also directed toward new asset creation, therefore

known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art; would have been obvious to one of ordinary skill in the art at the time of the invention

In reference to Claim 14:

The Machine of Claim 14 corresponds to the method of Claim 4, therefore, machine of Claim 14 has been analyzed and rejected as per previously discussed with respect to Claim 4.

In reference to Claim 21:

The system of Claim 21 corresponds to the method of Claim 4, therefore, system of Claim 21 has been analyzed and rejected as per previously discussed with respect to claim 4.

**(10) Response to Argument**

Appellant argues:

***Rejection under 35 USC 103***

**Claims 1, 6-11, 16-18, 23-24 and 27-30 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al.**

Claims 1, 6-11, 23-24 and 27-30:

*1. Legal Standards:*

Appellant argues that the combination of Philip et al in view of Wilkinson emphasize a reason that would have prompted a person of ordinary skill to combine the elements in the way the claimed invention does.

In response to Appellant's argument for legal standard; As stated in the Office Action the prior art Philip teaches creating tranches from an underlying asset.

In at least Col 1 lines 7-19 the prior art teaches:

**Securitization of financial assets is used by financial institutions to sell interests in pools of financial assets.** A financial asset can be any promise of a future flow of money. Rather than sell the individual underlying assets (e.g. the loan or account receivable) the risk of an individual asset going bad is spread by selling interests in a pool of assets. **An interest in the pool can be a percentage interest in the entire pool, or in specified portions or aspects of the pool, called tranches.** An interest (also called a security) may be in the form of shares of stock, limited partnership units or other forms. **The interest is typically called an asset-backed security, and the process of pooling the financial assets and selling interests in the pool is called securitization.**

Wilkinson teaches explicitly application no 60/240,135 filed October 2000 and Patent application no. 09/797,930; a method for intellectual property securitization and creating intellectual financial markets. The prior art further teaches:

[0007] With the adoption of tangible values for intellectual property and related assets, **the opportunity to securitize intellectual property** and create financial markets for intellectual property arises. **The securitization of intellectual property and the creation of dependable and accurate financial markets for intellectual property assets is the subject of the '930 application noted above.**

The Office action cites that the prior art Phil does not explicitly teach "providing payments to a holder of one or more rights to receive such payments in exchange for transfers of interest in **intellectual property** assets", however the Office Action does cite that the prior art teaches explicitly "providing payments to a holder of one or

more rights to receive such payments in exchange for transfers of interest in ... property assets",

See at least Col 1 lines 20-43:

**Securitization involves a number of parties including a lender (meaning a person or entity to whom a flow of money is to be paid), a borrower (a person or entity who will pay), and an investment bank which purchases pools of financial assets.** Securitization can also include a rating agency that evaluates the various interests offered in the pool of financial assets, and investors who purchase interests in the pool of financial assets. Securitization involves a special-purpose vehicle that includes a legal entity such as a corporation set up to own the pool of financial assets, and a trustee that operates on behalf of the investors overseeing the operation of the special-purpose entity.

(4) Interests in selected portions or tranches of the pool may be sold. Tranches represent a defined and limited aspect of the assets within the pool. For example, one tranche of a pool of loans **might be the payments of principal only (a PO tranche)**, and another tranche the **payments of interest only (called an IO tranche)**. Other tranches of an asset pool might include a hierarchy of risk, e.g., **payments received would be first applied to the most senior tranche** and then downward in order of seniority, and losses applied first to the most junior tranche and then upwards in reverse order of seniority. Yet another tranche might be a range of interest rates paid within a pool of loans.

The Office Action states utilizing KSR rationale that simple substitution of one known element for another the requirements of which are:

- (1) a finding that the prior art contained a device (method, product, etc.) which differed from the claimed device by the substitution of some components (step, element, etc.) with other components; - see page 9 of the Office Action (wherein the prior art Philip does not teach "intellectual property")
- (2) a finding that the substituted components and their functions were known in the

art; - see page 9 of the Office Action (wherein the prior art Wilkinson teaches "intellectual property")

(3) a finding that one of ordinary skill in the art could have substituted one known element for another, and the results of the substitution would have been predictable; (securitization of underlying assets and

(4) whatever additional findings based on the Graham factual inquiries may be necessary, in view of the facts of the case under consideration, to explain a conclusion of obviousness. Wilkinson explicitly teaches securitization of an underlying asset; wherein the asset is intellectual property. There is a reasonable expectation of success in narrowing with substituting into the broadly defined "underlying asset" as taught by Philip, the narrowly defined "underlying asset" consisting of "intellectual property" of Wilkinson. Therefore, it would have been obvious to one of ordinary skill in the art to substitute one form of underlying asset with another.

*2. Claim construction:*

The Appellant has cited the rules and statutes of claim interpretation but has failed to point to specifically where in the rejection the Office action has improperly interpreted the claims. Examiner affirms that the claims were given their broadest reasonable construction in light of the specification as would be interpreted by one of ordinary skill in the art.

*3. All Words in the claim Must be Considered.*

The Appellant has cited the rules and statutes of that to establish prima facie obviousness but has failed to point to specifically where in the rejection the Office action has not addressed the limitations cited in the claims. Examiner affirms that the entire context of the claims were considered.

4. *Official Notice*

**Claim 3, 5, 13, 15, 20 and 22 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al., and further in view of Appellant's admitted prior art herein referred to as APA**

Appellant has cited MPEP 2144.03 that it would be inappropriate for the examiner to take Official notice of facts without citing prior art reference where the facts asserted to be well known are not capable of instant and unquestionable demonstration as being well known. Appellant further cites that if an applicant traverses the examiners assertion of Official Notice the examiner must provide documentary evidence in the next Office Action.

In response the Appellant traversal; according to 37 CFR 1.111(b); adequate traversal is a **two step process. First, Applicant(s) must state their traversal on the record** (*this requirement was met on page 16 in the remarks submitted 06/16/2009*). Second and in accordance with 37 C.F.R. §1.111 (b) which requires Applicant(s) to **specifically point out the supposed errors in the Office Action, Applicant(s) must state why the Official Notice statement(s) are not to be considered common knowledge or well known in the art.** In this application, while Applicant(s) have clearly



met step (1), Applicant(s) have failed step (2) since they have failed to argue why the Official Notice statement(s) are not to be considered common knowledge or well known in the art. Simply stating that the Appellant did not agree to the Official notice as being appropriate because no evidentiary support was offered in connection with the assertion made are not sufficient. The Office action appropriately stated that as the criteria was not met the Official notice is considered prior art.

in the remarks dated 06/16/2009 page 16 the Appellant stated verbatim:

**The Examiner relies upon Official Notice only to address the specific limitations of dependent claims 3, 5, 13, 15, 20 and 22, and not the limitations of independent claims 1, 11 and 18 upon which they depend, and the Official Notice relied upon by the Examiner does not account for the deficiencies of Philip and Wilkinson.** Thus, dependent claims 2, 12, 19 and 26 would not have been rendered obvious by the teachings of Philip, Wilkinson and the Official Notice. In addition, **Applicant does not agree that the Official Notice is appropriate because no evidentiary support is offered in connection with the assertions made or as to what inferences should appropriately be drawn from the Official Notice taken as they pertain to the alleged obviousness of the invention.**

**Each of claims 4, 14 and 21 were rejected under 35 U.S.C. §103(a) as being obvious, and thus unpatentable over U.S. Patent No. 7,181,422 (Philip) in view of US Pub No. 2002/0099637 (Wilkinson), and Official Notice as applied to claims 1 and 3 above with respect to claim 4, as applied to claim 11 and 13 above with respect to claim 14, as applied to claims 18 and 20 above with respect to claim 21 and further in view of US Pub No. 2005/0097022 (Silman).** Applicant respectfully requests that the Examiner reconsider the § 103 rejection for the reasons mentioned below. For at least the reasons mentioned above with respect to independent claims 1, 11 and 18 and dependent claims 3, 13 and 20, **Applicant respectfully submits that dependent claims 4, 14, and 21 also would not have been rendered obvious by the combination of Philip, Wilkinson and the Official Notice.** The Examiner relies upon Silman only to address the specific limitations of dependent claims 4, 14 and 21, and not the limitations of independent claims 1, 11 and 18 and dependent claims 3, 13 and 20 upon which they ultimately depend, and the portions of Silman relied upon by the Examiner **do not account for the deficiencies of Philip Wilkinson and the Official Notice.** Thus,

dependent claims 4, 14 and 21 would not have been rendered obvious by the teachings of Philip, Wilkinson, Official Notice and Silman

However, in response the Appellant argument that “no evidentiary support was offered in connection with the assertion” with the Official notice the examiner respectfully disagrees.

Claim 3 cites:

The combination, Phil and Wilk, teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), ...

The combination does not explicitly teach:

...wherein satisfaction of said one or more criteria requires that the first total amount of expected payments exceed a predetermined amount in said first time  
Wilk teaches:

...wherein satisfaction of said one or more criteria requires that the first total amount of expected payments (earnings per share and investment objectives/strategy) exceed a predetermined amount in said first time ((Wilk) FIG. 2; para 0012, para 0055, para 0108, para 0114 lines 13-16, para 0129, para 0130, para 0147 lines 5-10)

APA (appellant's admitted prior art due to applicant's response to Official Notice) teaches that with respect to securities that generate income it is old and well known to monitor and benchmark earnings over time periods in order to make decisions on investment management (buy, sell or hold).

The prior art Wilkinsen (Wilk) teaches in at least;

[0012] **One or more periodic investment performance reports reporting a rate of return** and risk related to one or more of the intellectual property investments may be

issued. The accuracy of the investment performance reports may be verified through independent, third party validation.

*Note that the prior art teaches monitoring earning over time periods*

[0055] **Generate periodic investment performance reports to monitor/track the rate of return and risk from intellectual property investments;**

[0108] The method of this invention may use 1) any kind of analytical tool or technique to **evaluate investments**, and 2) **any kind of investment management or selection technique to optimize the return and achieve investment objectives.**

*Note the prior art teaches selection, management and optimizing returns which fairly suggest benchmarking earnings.*

[0114] In accordance with the method of this invention, **each intellectual property asset and related asset may be identified, valued**, and traced to its corresponding owner entity. Thus, for example, each stock on each stock exchange in the world may have its intellectual property assets identified and valued, **so that the impact of intellectual property values and changes may be analyzed for investment purposes.** Securities, such as but not limited to equity or debt (such as stocks or bonds, respectively), may then be ranked and compared based **on their potential to appreciate or depreciate based upon the related intellectual property holdings or exposure.** The intellectual property assets related to a particular security or entity may be tracked on a regular basis to make periodic adjustments and to maintain accurate estimates of the impact of changing intellectual property values on the value of a security or entity.

[0146] Next, the analysis of IP assets as investments in accordance with this invention is practiced as described herein. The impact of IP values on earnings per share and stock price of an owner entity of IP assets, for example, **may be computed and various financial ratios and indices may also be computed**, as described herein. The impact may be computed and issued in a report, such as an M-CAM PATENTLY OBVIOUS.TM. report, or by some other method. From the analytical information so compiled, IP assets or entities holding those assets **may be compared and ranked, and financial transaction recommendations, such as buy, sell, or hold, directed to those assets or entities are made.**

The examiner thereby maintains that the Appellant statement with respect to evidentiary support in connection with the assertions made or as to what inferences should appropriately be drawn from the Official Notice are in error.

##### *5. Inherency*

The Office Action stated with respect to claims 6 and 10:

In reference to Claim 6:

The combination teach

(Original) The method defined in claim 1 (see rejection of claim above), further comprising the act of transferring said one or more portions of one or more of said rights to an entity (fund) ((Phil) Col 5 lines 35-42, Col 4 lines 49-55, Col 7 lines 35-41)

Rights (right to sell, right to vote, right to receive payment, etc) with respect to derivatives or tranches are old and well known. Although not explicit with respect to rights the prior art teaches the investor receiving payment on the tranche or derivative which inherently is a right

The examiner maintains that an investor which received payment from a tranche or derivative inherently has a "right" to that payment.

In reference to Claim 10:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein said rights are contractual rights ((Phil) Col 7 lines 35-41)

With respect to the said rights being contractual rights, the payment rights of claim 1 with respect to tranches inherently are contractual rights

In order the inherency statements of claims 6 and 10 to be inappropriate there would need to be a circumstance where a payment was not a right or contractual in the context to tranches payment streams.

The express, implicit and inherent disclosures of a prior art reference may be relied upon in the rejection of claims under 35 USC 102 or 103. "The inherent teaching of a prior art reference, **a question of fact**, arises both in the context of anticipation and

obviousness." *In re Napier*, 55 F.3d 610, 613, 34 USPQ2d 1782, 1784 (Fed. Cir. 1995) (affirmed a 35 USC 103 rejection based in part on inherent disclosure in one of the references). See also *In re Grasselli*, 713 F.2d 731, 739, 218 USPQ 769, 775.

There is no requirement that a person of ordinary skill in the art would have recognized the inherent disclosure at the time of invention, but only that the subject matter is in fact inherent in the prior art reference. *Schering Corp. v. Geneva Pharm. Inc.*, 339 F.3d 1373, 1377, 67 USPQ2d 1664, 1668 (Fed. Cir. 2003) (rejecting the contention that inherent anticipation requires recognition by a person of ordinary skill in the art before the critical date and allowing expert testimony with respect to post-critical date clinical trials to show inherency); *Abbott Labs v. Geneva Pharms., Inc.*, 182 F.3d 1315, 1319, 51 USPQ2d 1307, 1310 (Fed. Cir. 1999) ("If a product that is offered for sale inherently possesses each of the limitations of the claims, then the invention is on sale whether or not the parties to the transaction recognize that the product possesses the claimed characteristics."); *Atlas Powder Co. v. Ireco, Inc.*, 190 F. 3d 1342, 1348-49 (Fed. Cir. 1999) ("Because sufficient aeration' was inherent in the prior art, it is irrelevant that the prior art did not recognize the key aspect of [the] invention ... An inherent structure, composition, or function is not necessarily known.") >; *SmithKline Beecham Corp. v. Apotex Corp.*, 403 F. 3d 1331, 1343-44, 74 USPQ2d 1398, 1406-07 (Fed. Cir. 2005) (holding that a prior art patent to an anhydrous form of compound "inherently" anticipated the claimed hemihydrate form of the compound because practicing the process in the prior art to manufacture the anhydrous compound

"inherently results in at least trace amounts of" the claimed hemihydrate even if the prior art did not discuss or recognize the hemihydrate)<. MPEP 2112.

*6. Unfounded Assertions of Knowledge*

The Appellant has cited the rules and statues of that cited references cannot be remedied by general conclusion about what is basic knowledge or common sense but has failed to point to specifically where in the rejection the Office action utilized common sense or general knowledge. Without specifics with respect to the claims the examiner cannot appropriately address the stated issue.

However, the rationale to support a conclusion that the claim would have been obvious is that "a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. If this leads to the anticipated success, it is likely that product [was] not of innovation but of ordinary skill and common sense. In that instance the fact that a combination was obvious to try might show that it was obvious under § 103."KSR, 550 U.S. at \_\_\_, 82 USPQ2d at 1397. If the Appellant was arguing the combination of Philip in view of Wilkinsen then the examiner maintains it would have been common sense to consider in the teachings of Philip utilizing an underlying asset provided by Intellectual properties (as taught by Wilkinsen) as known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art

*7. Specific citations required.*

The examiner maintains that specific citations were provided.

*8. Application of Per Se Rules in place of Facts.*

The Appellant has cited the rules in place of Facts but has failed to point to specifically where in the rejection the Office action utilized Per se Rules. Without specifics with respect to the claims the examiner cannot appropriately address the stated issue.

*9. Pertinent Prior Art References.*

The Appellant has cited that Pertinent Prior art references are required in the Office Action but has failed to point to specifically where in the rejection the Office action has not utilized pertinent prior art. Without specific with respect to the claims the examiner cannot appropriately address the Appellants claim. The examiner Maintains that the prior art provided in the Office Action are pertinent to the facts.

*10. Selection of Portions of Reference.*

The Appellant has cited that Selection of portions of references are impermissible with in the framework of the 103 rejection but has failed to point to specifically where in the rejection the Office action utilized impermissible selections. Without specifics with respect to the claims the examiner cannot appropriately address the Appellants stated issue. The examiner Maintains that the prior art provided in the Office Action are pertinent to the facts and the particular part of the reference relied upon to support the rejection were appropriate.

*11. The Applied References must present all claim limitation.*

The Appellant has cited that the applied references must present all claim limitations but has failed to point to specifically where in the rejection the Office action has failed to do

so. Without specifics with respect to the claims the examiner cannot appropriately address the Appellants stated issue.

In reference to Claim 1:

(Previously Presented) A method, comprising: electronically selecting on one or more processors one or more segments of each of a plurality of streams of expected payments that are to satisfy a plurality of obligations ((Phil) FIG. 6; para Col 1 lines 6-9, 32-40, 44-46, 60-62, Col 4 lines 4-8, 11-16, 20-24, Col 5 lines 35- 41 )

See Col 1 lines 6-19:

Securitization of financial assets is used by financial institutions to sell interests in pools of financial assets. A financial asset can be any promise of a future flow of money. Rather than sell the individual underlying assets (e.g. the loan or account receivable) the risk of an individual asset going bad is spread by selling interests in a pool of assets. An interest in the pool can be a percentage interest in the entire pool, or **in specified portions or aspects of the pool, called tranches**. An interest (also called a security) may be in the form of shares of stock, limited partnership units or other forms. The interest is typically called an asset-backed security, and the process of pooling the financial assets and selling interests in the pool is called securitization.

*Note the one or more segments*

See Col 1 lines 32-44:

Interests in selected portions or tranches of the pool may be sold. Tranches represent a defined and limited aspect of the assets within the pool. For example, **one tranche of a pool of loans might be the payments of principal only (a PO tranche), and another tranche the payments of interest only (called an IO tranche)**. Other tranches of an asset pool might include a hierarchy of risk, e.g., payments received would be first applied to the most senior tranche and then downward in order of seniority, and losses applied first to the most junior tranche and then upwards in reverse order of seniority. Yet another tranche might be a range of interest rates paid within a pool of loans.

*Note the one or more segments of each of a plurality of streams of expected payments that are to satisfy a plurality of obligations*

to provide payments to a holder of one or more rights to receive such payments in exchange for transfers of interests in ...property assets,



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see Col 1 lines 6-29:

Securitization of financial assets is used **by financial institutions to sell interests in pools of financial assets. A financial asset can be any promise of a future flow of money.** Rather than sell the individual underlying assets (e.g. the loan or account receivable) **the risk of an individual asset going bad is spread by selling interests in a pool of assets. An interest in the pool can be a percentage interest in the entire pool, or in specified portions or aspects of the pool, called tranches.** An interest (also called a security) may be in the form of shares of stock, limited partnership units or other forms. The interest is typically called an asset-backed security, and the process of pooling the financial assets and selling interests in the pool is called securitization.

*Note the prior art explicitly teaches receiving payment in exchange for interest in property assets*

said segments corresponding to a first time period having a first duration that is less than a second duration of a second time period over which at least one of the streams of expected payments is expected to extend, wherein said one or more segments are selected such that a first total amount of expected payments associated with said one or more segments satisfies one or more criteria;

see Col 1 lines 32-43:

Interests in selected portions or tranches of the pool may be sold. **Tranches represent a defined and limited aspect of the assets within the pool.** For example, one tranche of a pool of loans might be the payments of principal only (a PO tranche), and another tranche the payments of interest only (called an IO tranche). **Other tranches of an asset pool might include a hierarchy of risk, e.g., payments received would be first applied to the most senior tranche and then downward in order of seniority, and losses applied first to the most junior tranche and then upwards in reverse order of seniority.** Yet another tranche might be a range of interest rates paid within a pool of loans.

Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches.** For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics.** For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days.** There are two components of rules that may be employed in selecting assets into pools: (i) **rules to decide which assets to purchase based on the characteristics of the assets themselves** and (ii) **rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool that would change if the assets**


**were to be added to the pool.** The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.

*Note that the prior art explicitly teaches 80% paid in under 40 days with implies*

*(i.e. teaches) 20% paid as a second time*

See Col 9 lines 1-18: and table 1:

The investment bank 20 and investors 28 can define **custom tranches of pools of assets**. Rules are used to define a **hierarchy of nodes each of which nodes defines a tranche, and the hierarchy defines the waterfall**. The nodes have the at least the fields shown in the table below:



Amount	The dollar amount of the tranche
Percentage	What percent of the entire collateral pool this tranche is
Interest	The coupon paid on the bond
Type	The convention on which the interest is paid, fixed or floating
Type of security	Interest only, principal only, bond, collateral, cash
Maturity	Maturity of the Tranche
Cusip	Cusip number
Class	Class designation

*Note Maturity of Tranche which strongly suggest/makes obvious waterfall time periods (i.e first and second time period).*

and electronically identifying on one or more processors one or more portions of said

one or more rights for transfer to an entity,

see at least Col 3 lines 36-47:

The platform includes within the securitization management 6 function a securitization structuring system by which a purchaser of securities **can define rules, which define characteristics of assets that the investor desires to purchase**. For example, one purchaser may prefer mortgages from a selected zip code and not another zip code.

Other purchasers may prefer a **higher risk, i.e., sub-prime market**, pricing the security knowing that a higher portion of the portfolio of loans may go bad. The securitization **structuring system supports the definition of rules to describe in abstract terms the particular characteristics of securities a purchaser wishes.**

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide **which assets to purchase based on the characteristics of the assets themselves** and (ii) rules to decide **which assets to purchase based on their effect on the aggregate parameters of the pool** that would change if the assets were to be added to the pool. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.

*Note that the prior art teaches identifying portions of rights to transfer and teaches at least two time periods*

said one or more portions corresponding to the one or more segments that correspond to the first time period, ((Phil) Col 1 lines 33-37; wherein interest are defined, Col 3 lines 37-40, Col 4 lines 4-8, 11-16)  
see at least Col 3 lines 36-47:

The platform includes within the securitization management 6 function a securitization structuring system by which a purchaser of securities **can define rules, which define characteristics of assets that the investor desires to purchase**. For example, one purchaser may prefer mortgages from a selected zip code and not another zip code. Other purchasers may prefer a **higher risk, i.e., sub-prime market**, pricing the security knowing that a higher portion of the portfolio of loans may go bad. The securitization **structuring system supports the definition of rules to describe in abstract terms the particular characteristics of securities a purchaser wishes.**

Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide **which assets to purchase based on the characteristics of the assets themselves** and (ii) rules to decide **which assets to purchase based on their effect on the aggregate parameters of the pool** that would change if the assets were to be

added to the pool. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.<sup>3</sup>

said one or more portions that are identified being transferred apart from at least one remaining portion of at least one of said one or more rights ((Phil) Col 1 lines 32-37, Col 6 lines 47-54)

see in at least Col 1 lines 19-32:

(3) Securitization involves a number of parties including a lender (meaning a person or entity to whom a flow of money is to be paid), a borrower (a person or entity who will pay), and an investment bank which purchases pools of financial assets. **Securitization can also include a rating agency that evaluates the various interests offered in the pool of financial assets, and investors who purchase interests in the pool of financial assets. Securitization involves a special-purpose vehicle that includes a legal entity such as a corporation set up to own the pool of financial assets, and a trustee that operates on behalf of the investors overseeing the operation of the special-purpose entity.**

In at least Col 11 lines 30-37:

When the structurer **re-sells portions of the security to others, payments received belong to and must be allocated among the various purchasers of the asset-based securities.** The platform keeps track of the appropriate allocations and **generates the electronic funds transfer (EFT) file for funds transfer each day.**

*Note that the prior art explicitly teaches payment received for sale of portion of securities to others and EFT transfers.*

Phil does not explicitly teach:

...one or more intellectual property assets .....

Wilk teaches:

...one or more intellectual property assets...((Wilk) FIG. 1; para 0004; wherein the prior art teaches securitization of IP assets

[0004] The co-inventors' previous work has been dedicated to developing a dependable and accurate valuation method and process for intellectual property and related assets. The co-inventors believe their work provides a reliable valuation system for intellectual property and related assets that allows for more accurate tangible values to replace the

intangible/negligible asset values currently used. In particular, co-inventor Will Wilkinson's work includes **an intellectual property audit method disclosed by U.S. Provisional Patent Application Serial No. 60/240,135, filed on Oct. 13, 2000; a method for intellectual property securitization and creating intellectual property financial markets described in U.S. patent application Ser. No. 09/797,930, filed Mar. 2, 2001 and based upon a provisional application filed Mar. 2, 2000; a method for providing intellectual property insurance described in U.S. Provisional Application Serial Number 60/242,307, filed Oct. 20, 2000; and a method for assigning tangible value to IP assets described in U.S. application Ser. No. 09/593,576, filed Jun. 14, 2000, based upon an earlier filed provisional application; all of which are incorporated herein by reference.**

[0007] With the **adoption of tangible values for intellectual property and related assets, the opportunity to securitize intellectual property and create financial markets for intellectual property arises. The securitization of intellectual property and the creation of dependable and accurate financial markets for intellectual property assets is the subject of the '930 application noted above**

**Claim 2 is rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phili); in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk); as applied to claim 1 above and in view of US Pub No. 2002/0138299 A1 by Nations (Nat)**

In reference to Claim 2:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein a plurality of segments of the plurality of streams of expected payments ... said plurality of portions corresponding to the plurality of segments,

see at least Col 3 lines 36-47:

The platform includes within the securitization management 6 function a securitization structuring system by which a purchaser of securities **can define rules, which define characteristics of assets that the investor desires to purchase.** For example, one purchaser may prefer mortgages from a selected zip code and not another zip code. Other purchasers may prefer **a higher risk, i.e., sub-prime market**, pricing the security knowing that a higher portion of the portfolio of loans may go bad. The securitization structuring system supports the definition of rules to describe in abstract terms the particular characteristics of securities a purchaser wishes.

Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide **which assets to purchase based on the characteristics of the assets themselves** and (ii) rules to decide **which assets to purchase based on their effect on the aggregate parameters of the pool** that would change if the assets were to be added to the pool. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.<sup>3</sup>

said plurality of portions being identified for transfer apart from at least one remaining portion of at least one of said one or more rights ((Phil) Col 1 lines 32-37, Col 6 lines 47-54)

Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide **which assets to purchase based on the characteristics of the assets themselves** and (ii) rules to decide **which assets to purchase based on their effect on the aggregate parameters of the pool** that would change if the assets were to be added to the pool. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.<sup>3</sup>

The combination does not explicitly teach:

...are selected from a plurality of time periods including said first time period, wherein each of said plurality of time periods corresponds to at least one of said plurality of segments, and wherein a plurality of portions of said one or more rights are identified for transfer to an entity...

See Philip Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide **which assets to purchase based on the characteristics of the assets themselves and (ii) rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool** that would change if the assets were to be added to the pool. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.<sup>3</sup>

Note that Philip teaches **more than one time period payment rights** and teaches customizing tranche where rules based on aggregate parameters and covenants.

Wilk teaches:

[0055] 12. Generate periodic investment performance reports to monitor/track the rate of return and risk from intellectual property investments;

Nat teaches:

...are selected from a plurality of time periods including said first time period, wherein each of said plurality of time periods corresponds to at least one of said plurality of segments, and wherein a plurality of portions of said one or more rights are identified for transfer to an entity...

Nat teaches in at least:

[0045] **A Premium Amount (PA) to be spent to purchase protective derivatives for a current period tranche is calculated, step 50. For new tranches, PA is determined using Net New period Investment (NNI)**. As an example, if a portfolio is to spend 1.5% of its assets annually on protective strategies, executed each business day, and if on a portfolio's first day of operation a net new investment of \$1,000,000 is received, the portfolio will spend \$57.69 on this day to purchase protective derivative strategies.

$\$57.69 = (\$1,000,000 * 1.5\%) / 260$

[0069] Periods in which Net New period Investment is negative are handled differently. Referring to FIG. 2, the portfolio receives notice of a Net Redemption (NR), step 210. At

this point the fund may be made up of multiple tranches. **Each tranche is made up of two parts. First, the asset overlay, that is the underlying securities, bonds, notes, etc. that comprise the bulk of the tranche's value. Second, derivative instruments that hedge the risk inherent in the overlay portion of the tranche.** The derivative instruments in a tranche have been allocated over time. **As some derivative instruments expire, other derivatives are pro rata allocated to the tranche based on the tranche overlay's percentage of the overall value of the overlay.**

Both the combination and Nat are directed toward creating tranches with respect to underlying assets. Nat teaches the feature of tranches segregated into periodic tranches that have separate features from a tranche created or maturing in a different time period. **Nat teaches the motivation of creating periodic tranches in order to reduce risk and optimize returns in buying/selling.** The combination teaches periodic payment streams wherein the payment streams have waterfall payments (surplus and deficit) where the senior tranches are paid first on the surplus and the losses are applied in reverse order. Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teaching of Nat for protective strategies to reduce risk and optimize returns with the waterfall teachings of the combination with respect to tranches

**Claim 3 rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), as applied to claim 1 above and further in view of Appellant's admitted prior art herein referred to as APA**  
In reference to Claim 3:

The combination, Phil and Wilk, teaches:



(Original) The method defined in claim 1 (see rejection of claim 1 above), ...

The combination does not explicitly teach:

...wherein satisfaction of said one or more criteria requires that the first total amount of expected payments exceed a predetermined amount in said first time  
Wilk teaches:

...wherein satisfaction of said one or more criteria requires that the first total amount of expected payments (earnings per share and investment objectives/strategy) exceed a predetermined amount in said first time ((Wilk) FIG. 2; para 0012, para 0055, para 0108, para 0114 lines 13-16, para 0129, para 0130, para 0147 lines 5-10)

[0055] 12. Generate periodic investment performance reports to monitor/track the rate of return and risk from intellectual property investments;

[0108] The method of this invention may use 1) any kind of analytical tool or technique to evaluate investments, and 2) **any kind of investment management or selection technique to optimize the return and achieve investment objectives.**

*Note that the prior art teaches criteria on expected returns*

[0114] In accordance with the method of this invention, each intellectual property asset and **related asset may be identified, valued, and traced** to its corresponding owner entity. Thus, for example, each stock on each stock exchange in the world may have its intellectual **property assets identified and valued, so that the impact of intellectual property values and changes may be analyzed for investment purposes.** Securities, such as but not limited to equity or debt (such as stocks or bonds, respectively), may then **be ranked and compared based on their potential to appreciate or depreciate based upon the related intellectual property holdings or exposure.** The intellectual property assets related to a particular security or entity may be tracked on a regular basis to make periodic adjustments and to **maintain accurate estimates of the impact of changing intellectual property values on the value of a security or entity.**

[0129] **Using of an intellectual property performance measurement system to compute the rate of return and associated risk of a particular intellectual property investment.**

[0130] **Using an independent third party to audit and confirm the accuracy and fairly stated values for intellectual property risk and return investment performance calculations.**

[0147] The steps within the **analysis subprocess of this process may continue as an ongoing process after the IP asset has been identified or the IP inventory for the entity** has been computed. The investment management subprocess of the process is also an ongoing process. **After determining investment objectives, investors may then make financial transactions based upon the IP valuations, analysis, and recommendations.** The ongoing management process of this invention **continues to monitor and track the performance of the IP investment in the portfolio, including renewing steps within the analysis subprocess, or any of the steps in any of the subprocesss in the illustrated process, on a periodic basis.**

The combination teaches asset rating with respect to cash flow waterfall and historical asset performance. Whereas Wilk teaches explicitly of periodic evaluation. Wilk teaches of determining investment objectives ((Wilk) para 0147) and utilizing any tools and techniques to evaluate the investment. APA teaches that with respect to securities that generate income it is old and well known to monitor and benchmark earnings over time periods in order to make decisions on investment management (buy, sell or hold). Therefore, as the combination teaches rating payment flows and historical data it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teachings of the combination with APA in order to implement the old and well known practice of monitoring revenues generated with respect to a benchmark or market comparison over specific time periods to make decision on investment management.

**Claim 4 rejected under 35 U.S.C. 103(a) as being unpatentable over US No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), and applicant's admitted prior art herein referred to as APA as applied to claims 1 and 3 above with respect to claim 4, and further in view of US Pub No. 2005/0097022 A1 by Silman (Sil).**

In reference to Claim 4:

The combination teaches:

(Original) The method defined in claim 3 (see rejection of claim 3 above),  
wherein satisfaction of said one or more criteria...

The combination does not explicitly teach:

... requires that the first total amount of expected payments be closest to said  
predetermined amount relative to a second total amount of expected payments.

Sil teaches:

... requires that the first total amount of expected payments be closest to said  
predetermined amount relative to a second total amount of expected payments ((Sil)

FIG. 1A-IC;

[0031] In alternate embodiments, all of the unspent capital and profits from the milestone investments are not returned to the fund in the first instance. For example, the first milestone profit is a profit earned by the investment before the second portion is invested and can be reinvested into the milestone investment that earned the profit. Combinations can also be formed where a portion of the first milestone profit can be returned to the fund and the remainder of the first milestone profit can be reinvested into the milestone investment that earned the profit i.e. 50/50; 75/25; etc. Similarly, second (and further) milestone profits can be reinvested in the milestone investment in the same manner as the first milestone profit. However, after all of the stages have run their course, all unused capital and all profit from the last stage of each production is returned to the fund.

☞ [0058] The term "milestone" means a significant accomplishment; intermediate goal or a significant event in the life of a project. Milestones of the invention are preset criteria that relate to the worth and/or profitability of the investment.

☞ [0061] The term "milestone investment" means a staged investment that has reached one or more milestones that determined the profitability or worth of the investment. A milestone investment is a staged investment where at least one milestone has been met to allow additional funds to be allocated to the investment.

☞ [0064] The term "first milestone profit" means a profit earned by the investment before the second portion of the capital contribution is invested. Accordingly a "second milestone profit" and a "third milestone profit" are profits earned before the third and fourth portions of the capital contribution are invested, respectively.

Both the combination and Sil are directed toward raising capital for new investment products and setting evaluating the investments over specific periods. Although Sil teaches a preferred embodiment with respect to startup entertainment investments, Sil does not limited the invention from teach typical startup enterprises ((Sil) para 0012, para 0053) and teaches issuing stock and setting up purchase derivative options where the investors have segmented rights ((Sil) para 0020, para 0022). **Sil teaches the motivation of setting up milestones criteria with respect to**

**start up enterprises before allocating additional funds in order to protect the investor from investment risk.** The combination is also directed toward new asset creation, therefore known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art; would have been obvious to one of ordinary skill in the art at the time of the invention

**Claim 5 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), as applied to claims 1 and 3 above and further in view of Appellant's admitted prior art herein referred to as APA**

In reference to Claim 5:

The combination Phil and Wilk teach:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein satisfaction of said one or more criteria ...

The combination suggest but does not explicitly teach:

...requires that the first total amount of expected payments fall within a predetermined range of expected payments to be received in said first time period  
...requires that the first total amount of expected payments fall within a predetermined range of expected payments (earnings per share and investment objectives/strategy) to be received in said first time period

See Philip Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish

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to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide **which assets to purchase based on the characteristics of the assets themselves** and (ii) rules to decide **which assets to purchase based on their effect on the aggregate parameters of the pool** that would change if the assets were to be added to the pool. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.3

Wilk teaches:

[0055] 12. Generate periodic investment performance reports to monitor/track the rate of return and risk from intellectual property investments;

[0108] The method of this invention may use 1) any kind of analytical tool or technique to evaluate investments, and 2) **any kind of investment management or selection technique to optimize the return and achieve investment objectives**.

*Note that the prior art teaches criteria on expected returns*

[0114] In accordance with the method of this invention, each intellectual property asset and **related asset may be identified, valued, and traced** to its corresponding owner entity. Thus, for example, each stock on each stock exchange in the world may have its intellectual **property assets identified and valued, so that the impact of intellectual property values and changes may be analyzed for investment purposes**. Securities, such as but not limited to equity or debt (such as stocks or bonds, respectively), may then **be ranked and compared based on their potential to appreciate or depreciate based upon the related intellectual property holdings or exposure**. The intellectual property assets related to a particular security or entity may be tracked on a regular basis to make periodic adjustments and to **maintain accurate estimates of the impact of changing intellectual property values on the value of a security or entity**.

[0129] **Using** of an intellectual property performance measurement system to **compute the rate of return and associated risk of a particular intellectual property investment**.

[0130] Using an independent third party to **audit and confirm the accuracy and fairly stated values for intellectual property risk and return investment performance calculations**.

[0147] The steps within the **analysis subprocess of this process may continue as an ongoing process after the IP asset has been identified or the IP inventory for the entity** has been computed. The investment management subprocess of the process is also an ongoing process. **After determining investment objectives, investors may then make financial transactions based upon the IP valuations, analysis, and recommendations**. The ongoing management process of this invention **continues to**

**monitor and track the performance of the IP investment in the portfolio, including renewing steps within the analysis subprocess, or any of the steps in any of the subprocesses in the illustrated process, on a periodic basis.**

Although the combination is not explicit with respect to criteria requires total amount of payments fall in a predetermined range in a first time period.

Wilk teaches of determining investment objectives and tracking performance of the investment vehicle ((Wilk) para 0147) and utilizing any tools and techniques to evaluate the investment. APA teaches that with respect to securities that generate income it is old and well known to monitor and benchmark earnings over time periods in order to make decisions on investment management (buy, sell or hold). Therefore as the prior art teaches rating payment flows and investment management which suggest recommendation for action with respect to the asset it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teachings of the combination with APA in order to implement the old and well known practice of monitoring revenues generated with respect to a benchmark or market comparison over specific time periods to make decision on investment management

**Claims 6-11 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Philli) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk)**

In reference to Claim 6:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim above), further comprising the act of transferring said one or more portions of one or more of said rights to an entity (fund)

Col 4 lines 49-55:

The investment bank 20 typically forms a special-purpose vehicle 22 to hold the pool of financial assets, in this case being accounts receivable. The special-purpose vehicle 22 is typically a corporation or other legal entity formed for the sole purpose all holding the assets. A trustee 24 oversees the operations of the special-purpose vehicle 22. The trustee 24 has access to information regarding the performance of the accounts receivable held by the special-purpose vehicle which information is maintained by the financial services server platform 10.

In at least Col 11 lines 30-37:

**When the structurer re-sells portions of the security to others, payments received belong to and must be allocated among the various purchasers of the asset-based securities. The platform keeps track of the appropriate allocations and generates the electronic funds transfer (EFT) file for funds transfer each day.**

*Note that the prior art explicitly teaches payment received for sale of portion of securities to others and EFT transfers*

See in at least Col 7 lines 35-41:

As claims 68 are paid by the insurer 18, the payments 78 are directed to the special purpose vehicle 22, the owner of the accounts receivable 68. **As income is realized, periodic payments 80 are made to investors 28 in accordance with their respective investment terms.**

*Note that the prior art teaches investment terms*

Rights (right to sell, right to vote, right to receive payment, etc) with respect to derivatives or tranches are old and well known. Although not explicit with respect to rights the prior art teaches the investor receiving payment on the tranche or derivative which inherently is a right.

In reference to Claim 7:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein said entity is a special purpose vehicle



Col 4 lines 49-55:

The investment bank 20 typically forms a special-purpose vehicle 22 to hold the pool of financial assets, in this case being accounts receivable. The special-purpose vehicle 22 is typically a corporation or other legal entity formed for the sole purpose all holding the assets. A trustee 24 oversees the operations of the special-purpose vehicle 22. The trustee 24 has access to information regarding the performance of the accounts receivable held by the special-purpose vehicle which information is maintained by the financial services server platform 10.

In reference to Claim 8:

The combination teaches:

(Original) The method defined in claim 7 (see rejection of claim 7 above), wherein said special purpose vehicle is one that facilitates an issuance of securities backed by said one or more portions of one or more of said plurality of rights

Philip teaches in at least Col 4 lines 10-15, 44-47, 59-65:

...There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide which assets to purchase based on the characteristics of the assets themselves and (ii) **rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool that would change if the assets were to be added to the pool. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.**

The investment bank 20 forms a pool of such accounts receivable. Details of each account receivable are maintained in the database maintained by the financial services server platform 10. The investment bank 20, based upon the information available in the financial services server platform 10, **may define rules setting forth the characteristics of accounts receivable it is willing to purchase. Similarly, either investors or the investment bank may provide custom tranches of a pool of accounts receivable in accordance with rules that each may define. The financial services server platform 10 provides the mechanism for the production and application of such rules.**

... Different users will have **different permissions to view different aspects of the information that is maintained in the platform**, as discussed in more detail below. For example, **individual investors 28 may have permission to look only at data that relates to assets within a tranche of assets in which they have invested.** Reporting and access to information are made available by the platform over the Internet 12 to authorized users.

See Philip in at least Col 7 lines 35-41.

As claims 68 are paid by the insurer 18, the payments 78 are directed to the special purpose vehicle 22, the owner of the accounts receivable 68. As income is realized, periodic payments 80 are made to investors 28 in accordance with their respective investment terms.

In reference to Claim 9:

The combination teaches:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein said payments are royalty payments ((Wil) para 0078)

(see rationale supporting obviousness and motivation to combine of claim 1 above)

In reference to Claim 10:

(Original) The method defined in claim 1 (see rejection of claim 1 above), wherein said rights are contractual rights ((Phil) Col 7 lines 35-41)

See Philip in at least Col 7 lines 35-41.

As claims 68 are paid by the insurer 18, the payments 78 are directed to the special purpose vehicle 22, the owner of the accounts receivable 68. As income is realized, periodic payments 80 are made to investors 28 in accordance with their respective investment terms.

With respect to the said rights being contractual rights, the payment rights of claim 1 with respect to tranches inherently are contractual rights.

In reference to Claim 11:

(Original) The machine of Claim 11 corresponds to the method of Claim 1, therefore, machine of Claim 11 has been analyzed and rejected as per previously

discussed with respect to Claim 1. The feature in claim 11 that is separate from claim 1 is the computer readable medium carrying instructions ((Phil) Claim 17)

Philip in at least:

A computer program product, stored on a computer readable medium, for managing accounts receivable. . . .

**Claim 12 rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phili); in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk); as applied to claim 11 above and in view of US Pub No. 2002/0138299 A1 by Nations (Nat)**

In reference to Claim 12:

The combination teaches:

The machine of Claim 12 corresponds to the method of Claim 2, therefore, machine of Claim 12 has been analyzed and rejected as per previously discussed with respect to Claim 2.

**Claim 13 rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), as applied to claim 11 and further in view of Applicant's admitted prior art herein referred to as APA**

In reference to Claim 13:

The combination teaches:

The machine of Claim 13 corresponds to the method of Claim 3, therefore, machine of Claim 13 has been analyzed and rejected as per previously discussed with respect to Claim 3.

**Claim 14 rejected under 35 U.S.C. 103(a) as being unpatentable over US No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), and applicant's admitted prior art herein referred to as APA as applied to claims 11 and 13 above and further in view of US Pub No. 2005/0097022 A1 by Silman (Sil).**

In reference to Claim 14:

The Machine of Claim 14 corresponds to the method of Claim 4, therefore, machine of Claim 14 has been analyzed and rejected as per previously discussed with respect to Claim 4

**Claim 15 rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), as applied to claim 11 above and further in view of Appellant's admitted prior art herein referred to as APA**

In reference to Claim 15:

The machine of Claim 15 corresponds to the method of Claim 5, therefore, machine of Claim 15 has been analyzed and rejected as per previously discussed with respect to Claim 5

**Claims 16-18 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phili) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk)**

In reference to Claims 16 and 17:

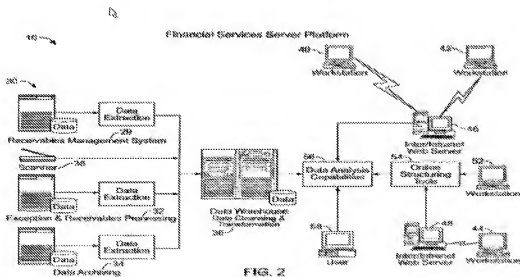
The machine of Claims 16 and 17 corresponds to the method of Claims 9 and 10 respectively, therefore, the machine of Claims 16 and 17 have been analyzed and rejected as per previously discussed with respect to Claims 9 and 10. The feature in claims 16 and 17 that is separate from claims 9 and 10 is the computer readable medium carrying instructions ((Phil) Claim 17)

Philip in at least:

A computer program product, stored on a computer readable medium, for managing accounts receivable . . .

In reference to Claim 18:

The system of Claim 18 corresponds to the method of Claim 1, therefore, system of Claim 18 has been analyzed and rejected as per previously discussed with respect to claim 1. The feature in claim 18 that is separate from claim 1 is processors coupled to a memory ((Phil) FIG. 2)



**Claim 19 rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phil); in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk); as applied to claim 18 above with respect to claim 19, and in view of US Pub No. 2002/0138299 A1 by Nations (Nat)**

In reference to Claim 19:

In reference to Claim 19:

The system of Claim 19 corresponds to the method of Claim 2, therefore, system of Claim 19 has been analyzed and rejected as per previously discussed with respect to claim 2

**Claim 20 rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), as applied to claim 18, and further in view of Appellant's admitted prior art herein referred to as APA**

In reference to Claim 20:

The system of Claim 20 corresponds to the method of Claim 3, therefore, system of Claim 20 has been analyzed and rejected as per previously discussed with respect to claim 3

**Claim 21 rejected under 35 U.S.C. 103(a) as being unpatentable over US No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), and applicant's admitted prior art herein referred to as APA as applied to claims 18 and 20 above, and further in view of US Pub No. 2005/0097022 A1 by Silman (Sil)**

In reference to Claim 21:

The system of Claim 21 corresponds to the method of Claim 4, therefore, system of Claim 21 has been analyzed and rejected as per previously discussed with respect to claim 4.

**Claim 22 rejected under 35 U.S.C. 103(a) as being unpatentable over US Pub No. Patent No. 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk), , as applied to claim 18 above with respect to claim 22, and further in view of Applicant's admitted prior art herein referred to as APA**

In reference to Claim 22:

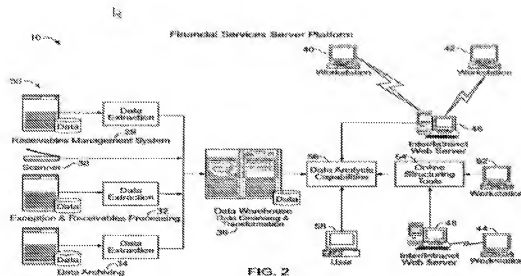
In reference to Claim 22:

The system of Claim 22 corresponds to the method of Claim 5, therefore, system of Claim 22 has been analyzed and rejected as per previously discussed with respect to claim 5

**Claims 23-24 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phil) and in view of US Pub No. 200210099637 A1 by Wilkinson et al. (Wilk)**

In reference to Claims 23 and 24:

The system of Claims 23 and 24 corresponds to the method of Claim 9 and 10 respectively, therefore, system of Claim 23 and 24 has been analyzed and rejected as per previously discussed with respect to claims 9 and 10. The feature in claim 23 and 24 that is separate from claim 1 is processors coupled to a memory ((Phil) FIG. 2)



**Claims 25-26 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phil); in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk); and in view of US Pub No. 2002/0138299 A1 by Nations (Nat)**

In reference to Claim 25:

Phil teaches:

(Currently Amended) A method, comprising:..., electronically selecting one or more processors a segment from each of a plurality of expected streams of payments,

See Col 1 lines 6-19:

Securitization of financial assets is used by financial institutions to sell interests in pools of financial assets. A financial asset can be any promise of a future flow of money. Rather than sell the individual underlying assets (e.g. the loan or account receivable) the risk of an individual asset going bad is spread by selling interests in a pool of assets. An interest in the pool can be a percentage interest in the entire pool, or **in specified portions or aspects of the pool, called tranches**. An interest (also called a security) may be in the form of shares of stock, limited partnership units or other forms. The interest is typically called an asset-backed security, and the process of pooling the financial assets and selling interests in the pool is called securitization.

*Note the one or more segments*



said segment being of a duration that is shorter than that of at least one of the plurality of expected streams of payments,


Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) **rules to decide which assets to purchase based on the characteristics of the assets themselves** and (ii) **rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool that would change if the assets were to be added to the pool**. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.

*Note that the prior art explicitly teaches 80% paid in under 40 days with implies (i.e. teaches) 20% paid as a second time*

See Col 9 lines 1-18: and table 1:

The investment bank 20 and investors 28 can define **custom tranches of pools of assets**. Rules are used to define a **hierarchy of nodes each of which nodes defines a tranche, and the hierarchy defines the waterfall**. The nodes have the at least the fields shown in the table below:



Amount	The dollar amount of the tranche
Percentage	What percent of the entire collateral pool this tranche is
Interest	The coupon paid on the bond
Type	The convention on which the interest is paid, fixed or floating
Type of security	Interest only, principal only, bond, collateral, cash
Maturity	Maturity of the Tranche
Cusip	Cusip number
Class	Class designation

*Note Maturity of Tranche which strongly suggest/makes obvious waterfall time periods (i.e first and second time period).*

each of the expected stream of payments to satisfy at least one obligation to provide payments to a holder of at least one right to receive such payments in exchange for a transfer of at least one interest in at least one an... asset,

see Col 1 lines 32-43:

Interests in selected portions or tranches of the pool may be sold. **Tranches represent a defined and limited aspect of the assets within the pool.** For example, one tranche of a pool of loans might be the payments of principal only (a PO tranche), and another tranche the payments of interest only (called an IO tranche). **Other tranches of an asset pool might include a hierarchy of risk, e.g., payments received would be first applied to the most senior tranche and then downward in order of seniority, and losses applied first to the most junior tranche and then upwards in reverse order of seniority.** Yet another tranche might be a range of interest rates paid within a pool of loans.

Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches.** For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics.** For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days.** There are two components of rules that may be employed in selecting assets into pools: **(i) rules to decide which assets to purchase based on the characteristics of the assets themselves and (ii) rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool that would change if the assets were to be added to the pool.** The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.

*Note that the prior art explicitly teaches 80% paid in under 40 days with implies (i.e. teaches) 20% paid as a second time*

each segment corresponding to the selected time period, and being selected such that a total amount of payments associated with each said segment satisfies one or more predetermined criteria

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Col 4 lines 3-18:

The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) **rules to decide which assets to purchase based on the characteristics of the assets themselves and (ii) rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool that would change if the assets were to be added to the pool**. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.

See Col 9 lines 1-18: and table 1:

The investment bank 20 and investors 28 can define **custom tranches of pools of assets**. Rules are used to define a **hierarchy of nodes each of which nodes defines a tranche, and the hierarchy defines the waterfall**. The nodes have the at least the fields shown in the table below:

Amount	The dollar amount of the tranche
Percentage	What percent of the entire collateral pool this tranche is
Interest	The coupon paid on the bond
Type	The convention on which the interest is paid, fixed or floating
Type of security	Interest only, principal only, bond, collateral, cash
Maturity	Maturity of the Tranche
Cusip	Cusip number
Class	Class designation

*Note the parameters and maturity of tranche*

and offering to transfer to an entity, an identified portion of said at least one right, said identified portion corresponding to the..., said identified portion being distinct from a remaining portion of said at least one obligation

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In at least Col 11 lines 30-37:

When the structurer re-sells portions of the security to others, payments received belong to and must be allocated among the various purchasers of the asset-based securities. The platform keeps track of the appropriate allocations and generates the electronic funds transfer (EFT) file for funds transfer each day.

*Note that the prior art explicitly teaches payment received for sale of portion of securities to others and EFT transfers.*

Phil suggest but does not teach explicitly:

... for an identified time period..., intellectual property..., identified time period... see in at least Col 4 lines 4-15, wherein the tranche (segment) based upon 6 month history, 80% paid under 40 days, (see table Col 9 wherein the prior art teaches security type, maturity date), Col 4 lines 20-55 wherein the prior art teaches senior and multiple tranches which implies different purchase and maturity dates).

Nat teaches:

... for an identified time period..., identified time period

[0014] He will analyze the put options available for purchase either on a recognized exchange such as the Chicago Board Options Exchange or over the counter from an investment bank or trading firm as well as the synthetic options available. Synthetic options might include long-dated credit spreads which tend to act like put options. He will determine the best options for the portfolio given specifics of each put such as expiration, strike price, etc. such that total premium paid for these options equals \$z. He'll then direct the purchase of those put options. This is repeated for each day or other predetermined time period. **Each period's overlay and put purchases are treated as a separate slice or tranche to be 'unwound' LIFO in the event of fund redemptions. Treating each period's overlay and put purchases as a tranche** insures that the appropriate amount of put premium is sold for a given level of redemption. The result is a new vehicle with a unique risk/return profile that uses a precise predetermined percentage of assets on protective strategies.

[0015] In another embodiment a fund may invest the vast majority of it's assets in a security and choose to generate income of y% annually through the sale of call options on that security. The fund manager would calculate the net premium to be received for that time period given the predetermined percentage to be generated annually. The fund manager would then analyze the **call options available on the security, including synthetic options such as long-dated credit spreads**, select those strategies most appropriate given the variables discussed above and direct the execution of those strategies such that net premium received equals the calculation made above. This is

repeated for each day or other predetermined time period. Again, **each period's overlay and call sales are treated as a slice or tranche to be 'unwound' LIFO** in the case of fund redemptions.

Wilk teaches:

...intellectual property...

...(Wilk) FIG. 1; para 0004; wherein the prior art teaches securitization of IP assets

[0004] The co-inventors' previous work has been dedicated to developing a dependable and accurate valuation method and process for intellectual property and related assets. The co-inventors believe their work provides a reliable valuation system for intellectual property and related assets that allows for more accurate tangible values to replace the intangible/negligible asset values currently used. In particular, co-inventor Will Wilkinson's work includes **an intellectual property audit method disclosed by U.S. Provisional Patent Application Serial No. 60/240,135, filed on Oct. 13, 2000; a method for intellectual property securitization and creating intellectual property financial markets described in U.S. patent application Ser. No. 09/797,930, filed Mar. 2, 2001 and based upon a provisional application filed Mar. 2, 2000; a method for providing intellectual property insurance described in U.S. Provisional Application Serial Number 60/242,307, filed Oct. 20, 2000; and a method for assigning tangible value to IP assets described in U.S. application Ser. No. 09/593,576, filed Jun. 14, 2000, based upon an earlier filed provisional application; all of which are incorporated herein by reference.**

[0007] **With the adoption of tangible values for intellectual property and related assets, the opportunity to securitize intellectual property and create financial markets for intellectual property arises. The securitization of intellectual property and the creation of dependable and accurate financial markets for intellectual property assets is the subject of the '930 application noted above**

With respect to the type of pooled asset, Intellectual property, Phil teaches explicitly of creating tranches from an underlying asset. Tranches are multi-class securities where an asset is broken into multiples segments (tranches). They represent the underlying asset by separate certificates. Tranches are formed when an asset becomes a pool of interest to be sold (i.e. securitization of an asset) rather than selling the underlying asset. Although IP assets are not taught explicitly by Phil, the prior art

teaches a "financial asset can be any promise of future flow of money" ((Phil) Col 1 line 7-9) instead of selling an underlying assets. Wilk teaches securitizing IP and creating financial instruments from IP assets ((Wil) para 0006, 0007). Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to simply substitute one known element for another to obtain predictable results.

Both the combination and Nat are directed toward creating tranches with respect to underlying assets. **Nat teaches the feature of tranches segregated into periodic tranches that have separate features from a tranche created or maturing in a different time period. Nat teaches the motivation of creating periodic tranches in order to reduce risk and optimize returns in buying/selling.** The combination teaches periodic payment streams wherein the payment streams have waterfall payments (surplus and deficit) where the senior tranches are paid first on the surplus and the losses are applied in reverse order. Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teaching of Nat for **protective strategies to reduce risk and optimize returns with the waterfall teachings of the combination with respect to tranches** (i.e. motivation)

In reference to Claim 26:

The combination, Phil and Nat, teaches:

(Original) The method of claim 1 (see rejection of claim 1 above), further comprising: ...

The combination does not explicitly teach:

...determining the time period

Col 4 lines 3-18:


The securitization managements function supports the **structuring of custom tranches**. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days**. There are two components of rules that may be employed in selecting assets into pools: (i) **rules to decide which assets to purchase based on the characteristics of the assets themselves** and (ii) **rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool that would change if the assets were to be added to the pool**. The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.

*Note that the prior art explicitly teaches 80% paid in under 40 days with implies*

*(i.e. teaches) 20% paid as a second time*

See Col 9 lines 1-18: and table 1:

The investment bank 20 and investors 28 can define **custom tranches of pools of assets**. Rules are used to define a **hierarchy of nodes each of which nodes defines a tranche, and the hierarchy defines the waterfall**. The nodes have the at least the fields shown in the table below:



Amount	The dollar amount of the tranche
Percentage	What percent of the entire collateral pool this tranche is
Interest	The coupon paid on the bond
Type	The convention on which the interest is paid, fixed or floating
Type of security	Interest only, principal only, bond, collateral, cash
Maturity	Maturity of the Tranche
Cusip	Cusip number
Class	Class designation

*Note Maturity of Tranche which strongly suggest/makes obvious waterfall time periods*

*(i.e first and second time period).*

Nat teaches:

...determining the time period...((Nat)FIG. 1, FIG. 2; in at least

[0045] A Premium Amount (PA) to be spent to purchase protective derivatives for a current period tranche is calculated, step 50. For new tranches, PA is determined using Net New period Investment (NNI). As an example, if a portfolio is to spend 1.5% of its assets annually on protective strategies, executed each business day, and if on a portfolio's first day of operation a net new investment of \$1,000,000 is received, the portfolio will spend \$57.69 on this day to purchase protective derivative strategies.

$\$57.69 = (\$1,000,000 * 1.5\%) / 260$

[0047] where PA.sub.NEW is the Premium Amount to be spent for the new tranche; NNI is the Net New period Investment; P% is the unchanging annual percentage of assets devoted to derivative strategies; and **NP is the number of periods in the calendar year**, usually business days.

[0051] where PA.sub.D is the Premium Amount to be spent on derivative strategies for the period D tranche; O.sub.D is the value of the Overlay portion of the period D tranche; P% is the **fixed annual percentage of assets to be spent on derivative strategies**; and **NP is the number of periods in a calendar year, usually business days**.

[0054] where TP.sub.D is **A Total Premium to be spent on derivative strategies in time period D**; PA.sub.D-1 is the Premium Amount for the immediately preceding tranche; PA.sub.D-2 is the Premium Amount for the next preceding tranche, etc and PA.sub.1 is the Premium Amount for the oldest existing tranche .

See also para 0069, para 0079, para 0083

*buy and sell strategies are determines per time period on different tranche segments (current and preceding tranches);*

Both the combination and Nat are directed toward creating tranches with respect to underlying assets. Nat teaches the feature of tranches segregated into periodic tranches that have separate features from a tranche created or maturing in a different time period. **Nat teaches the motivation of creating periodic tranches and targeting time periods in order to reduce risk and optimize returns in buying/selling.** The combination teaches periodic payment streams wherein the payment streams have waterfall payments (surplus and deficit) where the senior tranches are paid first on the surplus and the losses are applied in reverse order. Therefore, it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the



teaching of Nat for protective strategies to reduce risk and optimize returns with the waterfall teachings of the combination with respect to tranches.

**Claims 27-30 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent 7,181,422 B1 by Philip et al (Phili) and in view of US Pub No. 2002/0099637 A1 by Wilkinson et al. (Wilk)**

In reference to Claim 27:

(Original) The method of claim 1 (see rejection of claim 1 above), further comprising:  
determining the one or more criteria

Philip in at least Col 4 lines 4-19:

The securitization managements function supports the structuring of custom tranches. For example, an investment bank may wish to **define a security based upon assets with a specified set of characteristics**. For example, an investment bank 20 may wish to purchase **only accounts receivable from that set of accounts receivable of which, based upon a six-month history, eighty percent are paid in under 40 days. There are two components of rules that may be employed in selecting assets into pools: (i) rules to decide which assets to purchase based on the characteristics of the assets themselves and (ii) rules to decide which assets to purchase based on their effect on the aggregate parameters of the pool that would change if the assets were to be added to the pool.** The latter are called "covenants". When covenants are violated, the platform provides an interactive tool to exclude certain assets so that covenants will not be violated.

In reference to Claim 28:

(Original) The method of Claim 28 corresponds to the method of Claim 6, therefore, system of Claim 28 has been analyzed and rejected as per previously discussed with respect to claim 6.

In reference to Claim 29:

The combination teaches:

(Original) The method of claim 1 (see rejection of claim 1 above), further comprising entering an agreement to transfer the identified portion of said at least one right

In at least Col 11 lines 30-37:

**When the structurer re-sells portions of the security to others, payments received belong to and must be allocated among the various purchasers of the asset-based securities. The platform keeps track of the appropriate allocations and generates the electronic funds transfer (EFT) file for funds transfer each day.**

*Note that the prior art explicitly teaches payment received for sale of portion of securities to others and EFT transfers.*

See also Philip Fig. 3, FIG. 5, Fig. 6; Col 4 lines 44-48, Col 5 lines 35-42, Col 6 lines 46-55, Col 7 lines 35-40, Col 7 lines 35-41.

In reference to Claim 30:

The combination teaches:

(Original) The method of claim 1 (see rejection of claim above), further comprising: transferring the identified portion of said at least one right

In at least Col 11 lines 30-37:

**When the structurer re-sells portions of the security to others, payments received belong to and must be allocated among the various purchasers of the asset-based securities. The platform keeps track of the appropriate allocations and generates the electronic funds transfer (EFT) file for funds transfer each day.**

*Note that the prior art explicitly teaches payment received for sale of portion of securities to others and EFT transfers.*

See also Phil Fig. 3, FIG. 5, Fig. 6; Col 4 lines 44-48, Col 5 lines 35-42, Col 7 lines 35-40.

As evidence with respect tranches and segments; Examiner submits a definition of a tranche page 267 via International Dictionary of Finance by Graham Bannock et al. and Roget's International Thesaurus Fifth Ed edited by Robert L Chapman section 792.1 and 477.5

**(11) *Related Proceeding(s) Appendix***

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

/MARY GREGG/

Conferees:

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/Ella Colbert/  
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